2019

FIRST QUARTER EARNINGS REPORT

GRUPO CEMENTOS
DE CHIHUAHUA,
S.A.B. DE C.V.
(BMV: GCC*)

GCC

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GCC REPORTS FIRST QUARTER 2019 RESULTS

Chihuahua, Mexico, April 23, 2019 – Grupo Cementos de Chihuahua, S.A.B. de C.V. (BMV: GCC*), a leading producer of cement and concrete in the United States and Mexico, today announced its results for the first quarter 2019.

The results from assets sold in June 2018 (including sales, costs and expenses) have been reported as discontinued operations, in accordance with IFRS-5 – Non-Current Assets Held for Sale and Discontinued Operations. Information on sales volumes refers to continuing operations only.

1Q19 HIGHLIGHTS

- Extraordinary winter season adversely impacted most markets in the U.S
- Consolidated Net Sales decreased 1.9% to US$ 163.4 million in 1Q19, mainly driven by lower cement and concrete volumes in the U.S. on continued inclement weather conditions
- Net sales rose 8.1% in Mexico on volume and price increases
- EBITDA decreased 16.0% to US$ 38.3 million and EBITDA margin was 23.4%
- Net leverage (Net debt/EBITDA) ratio decreased to 1.74x in March 2019, from 1.83x in March 2018
- Completion of Rapid City plant expansion tie-in process, operational ramp up in progress
- Oil well cement demand in West Texas area remains strong on rising oil prices
- Fitch Ratings raised GCC´s credit rating to 'BB+' from 'BB'
- Corporate Technical and Operations Office (CTOO) initiated operations with the goal of supporting our growth strategy, improving our operations and enhancing the development of GCC

***Enrique Escalante**, **GCC's Chief Executive Officer, commented**: "The underlying trends in our business are strong in each of the markets where we operate in the U.S. and Mexico. The U.S. operations slowed with severe inclement weather continuing into the first quarter. However, there is a strong backlog and we are picking up the pace as the weather conditions improve. We expect to end the year in line with our guidance as the first quarter historically represents around 12% of the results for the year. In Mexico we turned in sales of 8.1% on increased volumes and prices and on top of the more than 18% increase in the prior year's first quarter. Chihuahua continues to outperform stronger than what we anticipated, driven primarily by robust mining shipments, industrial maquiladora plants and warehouse construction and middle-income housing starts.*

Looking forward, increasing oil prices and the opening of new pipelines are expected to drive further demand for oil well cement used in new rigs in the West Texas area while infrastructure and reconstruction projects in El Paso, Texas, Las Cruces, New Mexico and Colorado will see increased construction through 2020.

While the operational ramp up of our South Dakota cement plant in Rapid City continues at a slower pace than expected as we are undergoing a stabilization process, we are already realizing synergies from the Trident plant acquisition through consolidating customers and establishing a strong position in Canada."

Mr. Escalante continued, "As we ramp up volumes throughout the year and continue to improve other areas of our cost structure, such as energy and freight, we will continue improving margins. With the energy reform in Mexico, we have put in place a plan to significantly reduce our energy costs in that country. We are in the final stages of selecting a power generator to supply energy on a long-term basis and expect to see these savings in 2020. We are also in the process of evaluating a renewable energy project to complement our new energy supplier. Our balance sheet remains strong and Fitch Ratings raised the Company's local and foreign currency Issuer Default Ratings to BB+ from BB and also upgraded our US$260 million senior notes due 2024 to BB+ from BB. "

KEY FIGURES (millions of dollars)

	1Q19	1Q18	1Q19 vs. 1Q18
Net Sales	163.4	166.5	-1.9%
Operating Income before Other Expenses	11.0	26.0	-57.7%
EBITDA*	38.3	45.6	-16.0%
EBITDA Margin	23.4%	27.4%	
Free Cash Flow**	(22.4)	(10.6)	111.5%
Income before discontinued operations	3.9	11.8	-66.8%
Discontinued Operations	0.0	-0.5	
Net Income	3.9	11.3	-65.5%
Earnings per Share (US$)***	0.0117	0.0340	

**EBITDA: operating income before other expenses + depreciation and amortization.*
***Free Cash flow before expansion CapEx.*
****Earnings per share calculated based on average number of outstanding shares during the quarter.*

FINANCIAL RESULTS

Consolidated Net Sales for the first quarter of 2019 decreased by 1.9% to US$ 163.4 million, from US$ 166.5 million in 1Q18. This was primarily due to lower cement and concrete volumes in the U.S., which was partially offset by higher cement and concrete volumes in Mexico and a favorable price environment in both markets.

For comparative purposes, Consolidated Net Sales excluding the Trident cement plant acquired in 2Q18 would have decreased by 3.9%.

NET SALES (millions of dollars)

	1Q19	1Q18	1Q19 vs. 1Q18
Consolidated	**163.4**	**166.5**	**-1.9%**
United States	103.4	111.0	-6.9%
U.S. like-like	100.0	111.0	-9.9%
Mexico	60.1	55.6	8.1%

	1Q19 vs 1Q18	
	Volumes	Prices *
Cement		
United States	-7.3%	3.1%
U.S. like to like	-12.4%	4.6%
Mexico	3.8%	7.1%
Concrete		
United States	-17.0%	0.4%
Mexico	0.9%	10.7%

**Prices in local currency*

U.S. sales, which represented 63.2% of GCC's consolidated net sales, decreased by 6.9% to US$ 103.4 million, due to a 7.3% decline in cement volumes and a 17.0% decrease in concrete volumes This was partially offset by a 3.1% and 0.4% increase in prices, respectively. Excluding the acquired operations, U.S. sales would have decreased by 9.9%.

1Q19 Cement sales volumes were primarily impacted by adverse weather conditions including severe rains, snow storms and a longer than normal below-freezing temperatures in nearly every U.S. market in which GCC operates, contributing to the decline in sales volumes. It is also important to note that 1Q18 represented a record-high first quarter for the Company and benefitted from both favorable weather conditions and one-time cement volumes related to the construction of more than 15 fracking sand facilities in West Texas. Excluding the acquired operations, cement sales volumes would have decreased by 12.4% and cement prices would have increased by 4.6%.

Mexico sales, which represented 36.8% of GCC's consolidated net sales, increased 8.1% in the first quarter 2019, to US$ 60.1 million This was due to a 3.8% increase in cement volumes and a 0.9% increase in concrete volumes, with a 7.1% and 10.7% increase in prices, respectively.

The primary contributors to 1Q19 Mexico sales included demand related to: industrial warehouse construction, mining projects and middle-income housing at the northern cities.

Cost of Sales totaled US$ 130.7 million in 1Q19, representing 80.0% of sales; a 7.1 percentage point year on year increase. This increase was primarily due to:

- Lower cost dilution due to the decline in US cement and concrete volumes
- A US$6.7 million increase in operating expenses due to a major planned preventative maintenance shutdown at GCC's Odessa and Trident plants.
- An increase in depreciation related to the Rapid City plant expansion project and to the Company's most recent U.S. acquisitions.
- Increased variable costs at Rapid City plant related to the operational ramp up process.
- Increased electricity and fuel costs in Mexico

Operating Expenses increased 12.8% to US$ 21.6 million, which was equivalent to 13.2% of consolidated net sales; a 1.7 percentage point increase, mainly due to higher corporate expenses mainly related to the continuation of the Long Term Incentive Plan and the implementation of the Corporate Technical and Operations Office, while these expenses were previously recorded under cost of sales, most of them are now reclassified to the operating expenses line.

Operating Income before Other Expenses decreased 57.7%, to US$ 11.0 million.

Other net income was US$ 0.1 million, compared to other net expenses of US$ 0.1 million in the prior year period.

Operating Income decreased 56.7%, to US$ 11.1 million.

EBITDA decreased 16.0% to US$ 38.3 million, while the EBITDA margin contracted 4.0 percentage points to 23.4%. In the first quarter 2019, 49% of EBITDA was generated by the Company's US operations and 51% by its Mexico operations.

EBITDA excluding acquired operations would have decreased 19.1% to US$ 36.8 million while the EBITDA margin would have contracted 4.4 percentage points to 23.0%.

For comparative purposes, 1Q19 EBITDA would have decreased 32.9% compared to 1Q18 on a pro forma basis if we include in the 1Q18 results the effect of IFRS-16.

Net Financial Expenses decreased 23.0%, to US$ 8.5 million, primarily due to lower interest expense on GCC's bank debt and senior secured notes, which were refinanced in June 2017 and June 2018, respectively, as well as to a lower balance of debt.

Income Benefit totaled US$ 0.7 million in 1Q19; compared to income taxes of US$ 3.3 million in 1Q18.

Income before Discontinued Operations was US$ 3.9 million for the 1Q19; a 66.8% year on year decrease.

Discontinued operations were $0.00 in 1Q19 compared to US$ 0.5 million in 1Q18.

Consolidated Net Income was US$ 3.9 million for the 1Q19; a 65.5% decrease compared to US$ 11.3 million in 1Q18.

Earnings per Share was US$ 0.0117 per share, compared to US$ 0.0340 in 1Q18.

Free Cash Flow in the first quarter remained negative at US$ 22.4 million; a 111.5% increase compared to US$ 10.6 million in 1Q18. This is a reflection of decreased EBITDA generation, as well as an increase in other expenses and provisions, which were partially offset by lower interest expenses, reduced working capital requirements, lower cash taxes and a decrease in maintenance CapEx.

EBITDA AND FREE CASH FLOW (millions of dollars)

	1Q19	1Q18	Var
Operating Income before Other Expenses	**11.0**	**26.0**	**-57.7%**
Depreciation and Amortization	27.2	19.5	39.4%
EBITDA	**38.3**	**45.6**	**-16.0%**
Interest (expense)	(2.6)	(4.6)	-43.6%
(Increase) Decrease in Working Capital	(31.4)	(39.2)	-19.9%
Taxes	(0.5)	(0.9)	-43.5%
Other	(6.7)	3.2	n.m.
Operating Leases (IFRS 16 effect)	(5.0)	0.0	100%
Flow from Continuing Operations, net	**(8.0)**	**4.0**	**n.m.**
Flow from Discontinued Operations	0.0	0.3	-100%
Operating Cash Flow	**(8.0)**	**4.4**	**n.m.**
Maintenance CapEx*	(14.5)	(15.0)	-3.3%
Free Cash Flow	**(22.4)**	**(10.6)**	**111.5%**
Growth Capital Expenditures and other related Expenses	(7.1)	(11.0)	-35.8
Share Repurchase (net)	0.0	0.0	0.0%
Sale of Assets	0.0	0.0	0.0%
Purchase of Assets	0.0	0.0	0.0%
Debt Amortization net	0.0	(1.8)	-100%
Dividends Paid	0.0	0.0	0.0%
FX Effect	1.0	3.6	-72.9%
Initial Cash Balance	251.8	232.9	8.1%
Final Cash Balance	**223.3**	**213.2**	**4.7%**

**Excludes capital expenditures for growth and expansion*

Total Debt was US$ 661.8 million as of March 31, 2019; a 4.8% year on year decrease.

Short-term debt was US$ 6.4 million, representing 1.0% of the total debt.

As of March 2019, 100% of GCC's total debt was denominated in U.S. dollars.

Net leverage (Net debt/EBITDA) at the end of the first quarter 2019 was 1.74 times, compared to 1.83 as of March 31, 2018.

INTEREST- BEARING DEBT* (millions of dollars)

	Mar-2019	Mar-2018	2019 vs. 2018
Total	**661.8**	**694.9**	**-4.8%**
Short-term	6.4	22.8	-71.9%
Long-term	655.4	672.2	-2.5%

**Excludes amortizable commissions and issuance expenses*

BASIS OF PREPARATION FOR FINANCIAL STATEMENTS

Financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and use the U.S. dollar as the presentation currency.

Currency translations from pesos into U.S. dollars use the average monthly exchange rates published by Banco de México, as shown below.

EXCHANGE RATES (pesos per U.S. dollar)

	2019	2018
First quarter average	19.2169	18.7501
As of March 31	19.3201	18.2709

Unless otherwise stated, all percentage changes refer to the first quarter (or three months) of 2019 compared to the corresponding periods of 2018.

ANALYST COVERAGE

Analysts at the following brokerages currently cover GCC's stock:

1. Actinver
2. Bank of America Merrill Lynch
3. Citibanamex
4. Data Based Analysis
5. GBM - Grupo Bursatil Mexicano
6. Grupo Financiero Banorte
7. J.P. Morgan
8. INVEX, Grupo Financiero
9. Itaú BBA
10. Nau Securities Limited
11. Santander
12. Scotiabank
13. UBS Casa de Bolsa

MATERIAL EVENTS

GCC announced continuation of Long-Term Share-Based Incentive Compensation Plan

On April 3, 2019, GCC announced that it had reactivated the Company's Long-Term Share-Based Incentive Plan ("LTIP"), which was ratified and affirmed at the Company's Annual Shareholders Meeting on April 29, 2008. GCC transferred the amount equivalent to 421,365 GCC* shares from the Company's treasury to a trust earmarked for the program, with continued share contributions to be made to the trust in subsequent years.

The LTIP, which was reviewed by GCC's Audit Committee, is a significant component of the management and executive compensation program, tied to the Company's long-term success, that is intended to strike an appropriate balance between short-term compensation and longer-term incentives. It is aimed at fostering retention and aligning management's interest with those of GCC's stakeholders; recognizing and rewarding performance and individual contributions. This varies depending on the performance results of the specific period, based on the Return on Invested Capital (ROIC) or similar profitability ratios.

GCC's LTIP has also been designed to ensure the Company's executive compensation is in line with global best practice standards.

GCC statement regarding the recognition of the Damages Award

On April 1, 2019, GCC announced that on March 25, 2019, the US District Court of Colorado issued a decision confirming the Damages Award dated April 15, 2015, which awarded Compañía de Inversiones Mercantiles S.A. US$ 36.1 million in damages and expenses, plus interest. The decision of the District Court was a U.S. judgment.

GCC continues to refute the aforementioned resolution, as the resolution did not recognize the prior determinations of the Bolivian courts which ruled the Liability Award null and in favor of GCC, furthermore because it also overlooked the fact that there were ongoing annulment proceedings in Bolivia which could have conclusively annulled the Damages Award.

The Company has the right to appeal the decision made by the District Court of Colorado within 30 days. GCC has also evaluated other possible courses of action in defense of its interests.

Additionally, GCC has continued litigating the annulment proceedings in Bolivia, the result of which could have led to reconsideration or reversal of the decision of the District Court of Colorado.

GCC noticed FTSE inclusion

On March 15, 2019, GCC informed that its shares had been included for the first time in the FTSE index.

GCC announced credit rating upgrade to BB+ by Fitch Ratings

On February 12, 2019, GCC announced that Fitch Ratings raised the Company's local and foreign currency Issuer Default Ratings (IDRs) to 'BB+' from 'BB'. Fitch also upgraded GCC's US$ 260 million senior notes due 2024 to 'BB+' from 'BB'.

Fitch's report cites five major drivers within its rating upgrade for GCC, including: rising oil well cement demand, solid operating performance with continued projected demand, an expected downtrend in GCC's future leverage, the Company's ability to generate positive free cash flow through the most recent industry downturn with relatively high profitability and GCC's leading market share in the state of Chihuahua with strong positions in Colorado, North Dakota, South Dakota, Wyoming, New Mexico and western Texas.

In 2017, Standard & Poor's Global Ratings (S&P) also raised GCC's long-term corporate rating to BB+ from BB, with a stable outlook. S&P also raised the rating on GCC's senior unsecured notes due 2024 to BB.

Q1 2019 RESULTS CONFERENCE CALL

Grupo Cementos de Chihuahua, S.A.B. de C.V. will host its earnings conference call on April 24, 2019.

Time: 11:00 am (Eastern Time) / 10:00 am (Mexico City) / 09:00 am (Mountain Time)

Conference ID: **1017196**

Dial in:

U.S.:	1-800-239-9838 Toll Free
International:	1-323-794-2551

Replay (through May 1, 2019):

U.S.:	1-844-512-2921 Toll Free
International:	1-412-317-6671

Listen-only webcast and replay: **click here.**

Income Statement
(Thousands of dollars)

	1Q 2019	%	1Q 2018	%	Q19 / Q18
Net sales	**163,424**	100.0%	**166,549**	100.0%	**-1.9%**
USA sales	103,361	63.2%	110,965	66.6%	-6.9%
Mexico sales	60,063	36.8%	55,584	33.4%	8.1%
Cost of sales	130,787	80.0%	121,360	72.9%	7.8%
Gross income	**32,637**	20.0%	**45,189**	27.1%	**-27.8%**
Operating expenses	21,619	13.2%	19,172	11.5%	12.8%
Operating income before other expenses, net	**11,018**	6.7%	**26,017**	15.6%	**-57.7%**
Other (income) expenses, net	(170)	-0.1%	171	0.1%	n.m.
Operating income	**11,188**	6.8%	**25,846**	15.5%	**-56.7%**
Financial income	2,109	1.3%	1,580	0.9%	33.5%
Financial expenses	(10,528)	-6.4%	(11,102)	-6.7%	-5.2%
Exchange gain (loss), net	(148)	-0.1%	(1,608)	-1.0%	-90.8%
Net financing expenses	**(8,567)**	-5.2%	**(11,130)**	-6.7%	**-23.0%**
Earnings in associates	487	0.3%	392	0.2%	24.2%
Income before taxes	**3,108**	1.9%	**15,108**	9.1%	**-79.4%**
Income taxes (benefit)	(796)	-0.5%	3,340	2.0%	n.m.
Income before discontinued operations	**3,904**	2.4%	**11,768**	7.1%	**-66.8%**
Discontinued operations	-	0.0%	(456)	-0.3%	100.0%
Consolidated net income	**3,904**	2.4%	**11,312**	6.8%	**-65.5%**
Controlling interest	**3,904**	2.4%	**11,312**	6.8%	**-65.5%**
Non-controlling interest	**-**	0.0%	**-**	0.0%	**0.0%**
EBITDA	**38,262**	23.4%	**45,560**	27.4%	**-16.0%**
Free cash flow	(22,430)	-13.7%	(10,607)	-6.4%	111.5%

Statement of Financial Position

(Thousands of dollars)

	March 2019	March 2018	Variation
Total assets	**1,954,346**	**1,918,004**	**1.9%**
Current Assets	**548,811**	**498,378**	**10.1%**
Cash and cash equivalents	223,299	213,196	4.7%
Accounts receivable, net	77,114	91,070	-15.3%
Other accounts receivable, net	59,673	45,230	31.9%
Due from related parties	1,866	1,668	11.9%
Inventories	121,852	98,318	23.9%
Urban land	34,610	36,945	-6.3%
Prepaid expenses	10,965	11,951	-8.3%
Short term right of use assets	19,432	-	100.0%
Non-current assets	**1,405,535**	**1,419,626**	**-1.0%**
Investment in associates	16,325	11,146	46.5%
Property, machinery and equipment, net	1,030,893	949,591	8.6%
Long term right of use assets	33,025	-	100.0%
Goodwill	247,242	387,391	-36.2%
Intangible assets, net	71,563	59,696	19.9%
Other non-current assets	6,487	7,051	-8.0%
Deferred taxes	-	4,751	-100.0%
Total liabilities	**979,333**	**960,770**	**1.9%**
Current liabilities	**176,670**	**165,331**	6.9%
Current portion of long term debt	6,400	22,750	-71.9%
Trade accounts payable	74,857	68,225	9.7%
Due to related parties	1,002	617	62.4%
Short term - employee benefits	25,365	21,190	19.7%
Accrued expenses and taxes other than income taxes	44,752	46,788	-4.4%
Provisions	3,914	5,761	-32.1%
Short term right of use liabilities	20,380	-	100.0%
Long-term liabilities	**802,663**	**795,439**	**0.9%**
Long term debt	644,923	659,317	-2.2%
Long term right of use liabilities	32,587	-	100.0%
Employee benefits	36,179	41,551	-12.9%
Provision for environmental restoration	22,266	9,062	145.7%
Other long-term liabilities	1,184	697	69.9%
Income taxes payable	19,823	31,740	-37.5%
Deferred income taxes	45,701	53,072	-13.9%
Total equity	**975,013**	**957,234**	**1.9%**
Controlling interest	**974,982**	**957,204**	**1.9%**
Capital stock	32,070	32,070	0.0%
Additional paid-in capital	148,365	148,365	0.0%
Reserves	22,659	22,659	0.0%
Retained earnings	1,053,352	1,000,666	5.3%
Consolidated net income	3,904	11,312	-65.5%
Other comprehensive income	(285,368)	(257,868)	-10.7%
Non-controlling interest	**31**	**30**	**3.3%**
Total Liabilities and Equity	**1,954,346**	**1,918,004**	**1.9%**

ABOUT GCC

GCC is a leading supplier of cement, concrete, aggregates, and construction-related services in Mexico and the United States. The Company has annual cement production capacity of 5.8 million tons.

Founded in 1941, the Company's shares trade on the Mexican Stock Exchange under the ticker symbol GCC*.

This earnings report may contain forward-looking statements. All statements that are not clearly historical in nature are forward-looking, and the words "anticipate," "believe," "expect," "estimate," "intend," "project" and similar expressions are generally intended to identify forward-looking statements. These statements are subject to risks and uncertainties including, among others, changes in macroeconomic, political, governmental or business conditions in the markets where GCC operates; changes in interest rates, inflation rates and currency exchange rates; performance of the construction industry; and pricing, business strategy, and other factors. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may differ materially from the beliefs, projections, and estimates described herein. GCC assumes no obligation to update the information contained in this press release.